

**PORT OF EVERETT**  
**Snohomish County, Washington**  
**Special Audit**  
**November 4, 1991 Through April 7, 1993**

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**Schedule Of Findings**

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1. Public Funds Were Misappropriated And Accounting Records Were Falsified And Destroyed

Our audit of the financial records of the Port of Everett revealed that at least \$9,255.12 in public funds was misappropriated by Ms. J'Nene Boland, Clerk/Cashier, during the period November 4, 1991, through April 7, 1993. Accounting records were falsified and destroyed in an attempt to conceal these losses. There were no federal funds involved in this case.

The schedule below summarizes these losses by source of the misappropriated funds.

<u>Port Function</u>	<u>Amount</u>
Marina Gas Dock	\$4,387.25
Laundry And Showers	1,634.25
Marine Park	<u>3,613.30</u>
Total Funds Misappropriated	9,634.80
Less Restitution Amount	<u>(379.68)</u>
Net Loss Amount	<u><u>\$9,255.12</u></u>

These funds were misappropriated as described below.

Ms. Boland stole cash receipts from at least three revenue sources of the port. Port employees at various decentralized cash receipting functions accurately reported their daily cash collections to Ms. Boland. However, some or all of these funds were stolen after the money and various accounting documents were turned-in at the centralized cashier function. Ms. Boland either altered or destroyed the various accounting documents from the decentralized port functions to conceal these shortages. She then made bank deposits in amounts which agreed with the reduced fund accountability that had been recorded in the port's accounting records.

As the clerk/cashier at the central cashier function during the period of this loss, Ms. J'Nene Boland was responsible for recording cash receipt transactions, receiving funds turned-in from the port's decentralized cash receipting functions, and making bank deposits. When we discussed these irregularities with her on April 7, 1993, she verbally confessed to the misappropriation of funds from several revenue sources at the port. Her employment at the Port of Everett was terminated on April 7, 1993.

RCW 42.20.070 states:

Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town, or any school, diking, drainage, or irrigation district, who:

- (1) Shall appropriate to his or her own use or the use of any person not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or
- (2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her; or
- (3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account; or
- (4) Shall willfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage, or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon him or her by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than fifteen years.

RCW 9A.60.020 states:

- (1) A person is guilty of forgery if, with intent to injure or defraud:
  - (a) He falsely makes, completes, or alters a written instrument or;
  - (b) He possesses, utters, offers, disposes of, or puts off as true a written instrument which he knows to be forged.
- (2) Forgery is a class C felony.

RCW 9A.20.021 states in part:

- (1) Felony. No person convicted of a classified felony shall be punished by confinement or fine exceeding the following: . . .
  - (c) For a class C felony, by confinement in a state correctional institution for five years, or by a fine in an amount fixed by the court of ten thousand dollars, or by both such confinement and fine.

The following internal control weaknesses allowed this misappropriation to occur and not be detected in a timely manner.

- a. There was an inadequate segregation of duties in the port's central cashier function. One person, the clerk/cashier, was responsible for practically all cash receipting and banking functions. However, there was no periodic management review of the work performed by the clerk/cashier which would accomplish the same objective as a segregation of duties between two or more employees.
- b. The port's daily activity reports from decentralized reporting locations need to be improved to ensure that all financial and accounting activity is fully documented, and that accountability is fixed for all funds.

- c. Only one person was responsible for counting all funds transmitted from decentralized reporting locations to the port's central cashier function. Two people should accomplish this task to ensure that accountability is fixed for all funds.
- d. The port did not periodically review the reasonableness of revenues received from fuel sales at the marina gas dock. Thus, no one independent of the marina verified that: (1) fuel sales compared with total revenue received for a specified period of time; or (2) that actual revenue was comparable from one year to the next. The port initially detected this loss when it performed this review. However, this review was not timely, and had not been routinely conducted in the past.
- e. The port did not monitor all revenue sources to ensure that funds were routinely received in the expected frequency. Thus, missing deposits were not promptly detected by the port.
- f. Some port accounting records were prepared in pencil. Thus, document alterations were easily concealed.

We recommend the Port of Everett seek recovery of the misappropriated \$9,255.12 and related audit/investigation costs from their insurance bonding company. We further recommend the Washington State Office of Attorney General and the Snohomish County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and the State Auditor as directed by RCW 43.09.260.

Bond Coverage for the clerk/cashier position is as follows:

The Hartford Insurance Company  
Crime Policy - Public Employee Dishonesty  
Policy No. PEB DD8116  
\$50,000 With \$0 deductible Provision  
August 1, 1990 to August 1, 1993

We also recommend the port:

- a. Review its overall accounting controls over cash receipts, correct the weaknesses outlined above, and implement an effective system of internal control designed to ensure the protection of port assets.
- b. Notify the insurance bonding company of this loss of funds.